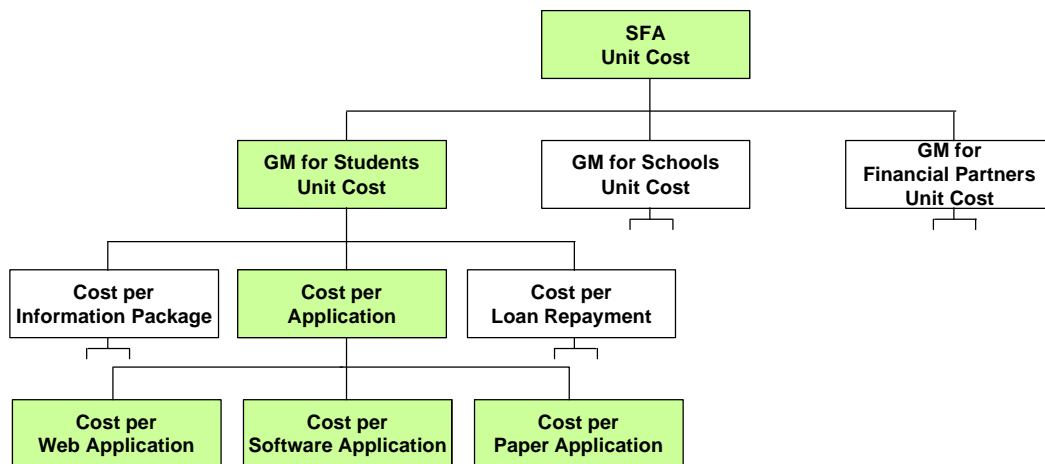


APPENDIX D

Managing Unit Costs

SFA's overall goal is to reduce its total unit cost. To accomplish that we will measure *disaggregated* unit costs and use them as management tools at every level in the organization. As illustrated by the following organization diagram, the General Managers for Students, Schools, and Financial Partners will all be able to track the unit costs related to the business processes that they control. Business process managers at the next level will similarly track their unit costs, which in turn will be further disaggregated so that in every part of the organization, managers know how much they contribute to the total unit cost.

Drive Unit Costs Down to the Front Lines



Since our goal is to cut the *total* unit cost, we might not want to reduce every *element* of unit cost. For example, we might want to spend a little more money making electronic applications even easier to use in order to lure applicants away from the vastly more expensive paper forms. In a case like that, we would be *increasing an element* of unit cost (the unit cost of electronic applications) in order to *reduce our total* unit cost.

Currently, we do not have a financial system that makes it easy to track our administrative unit cost number or its sub-elements, such as the unit cost of processing applications. That is one of the key purposes of the new financial management system we are developing — to give every manager that unit cost information routinely. The initial elements of the new financial management system will be up and running in January.